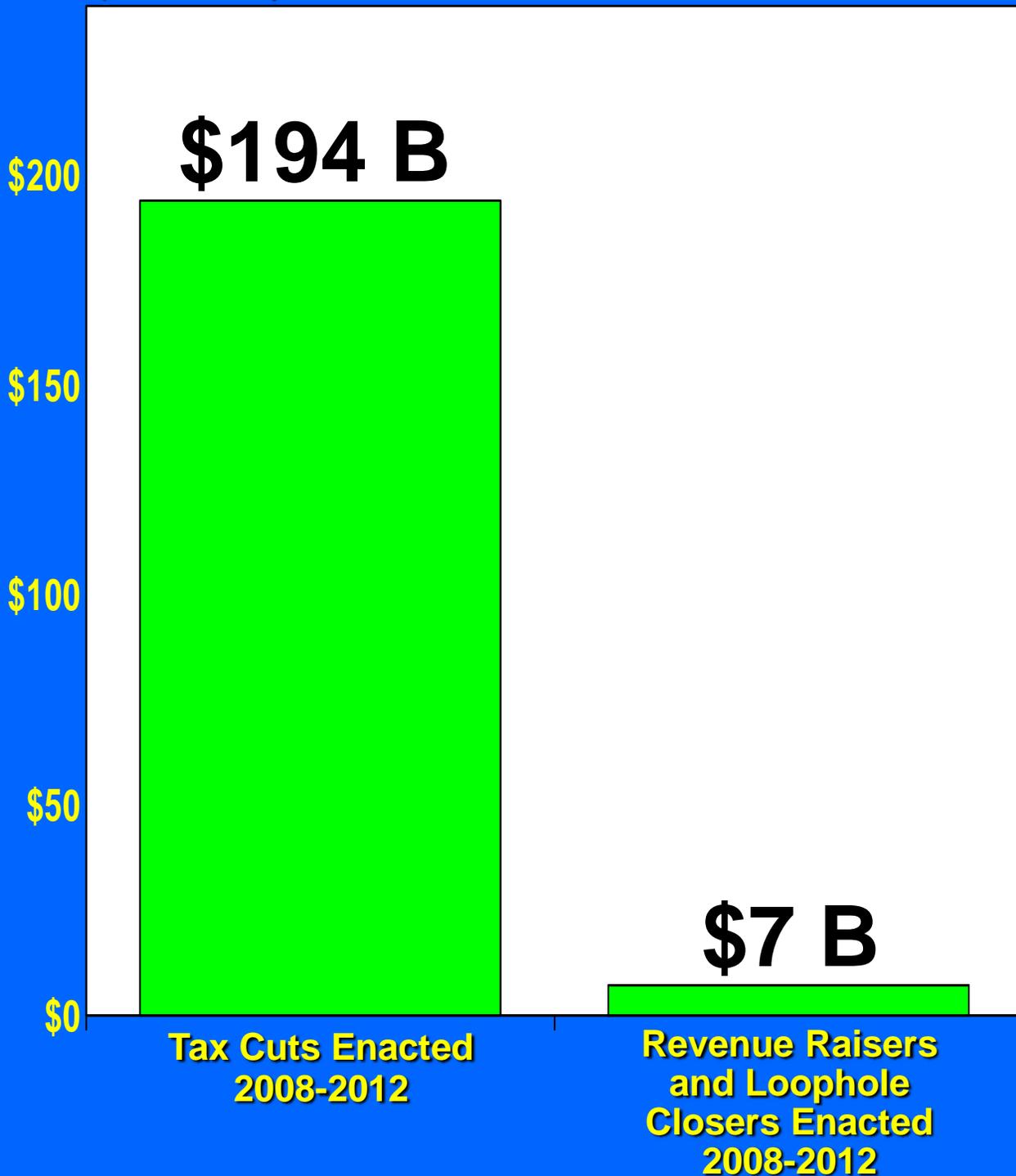


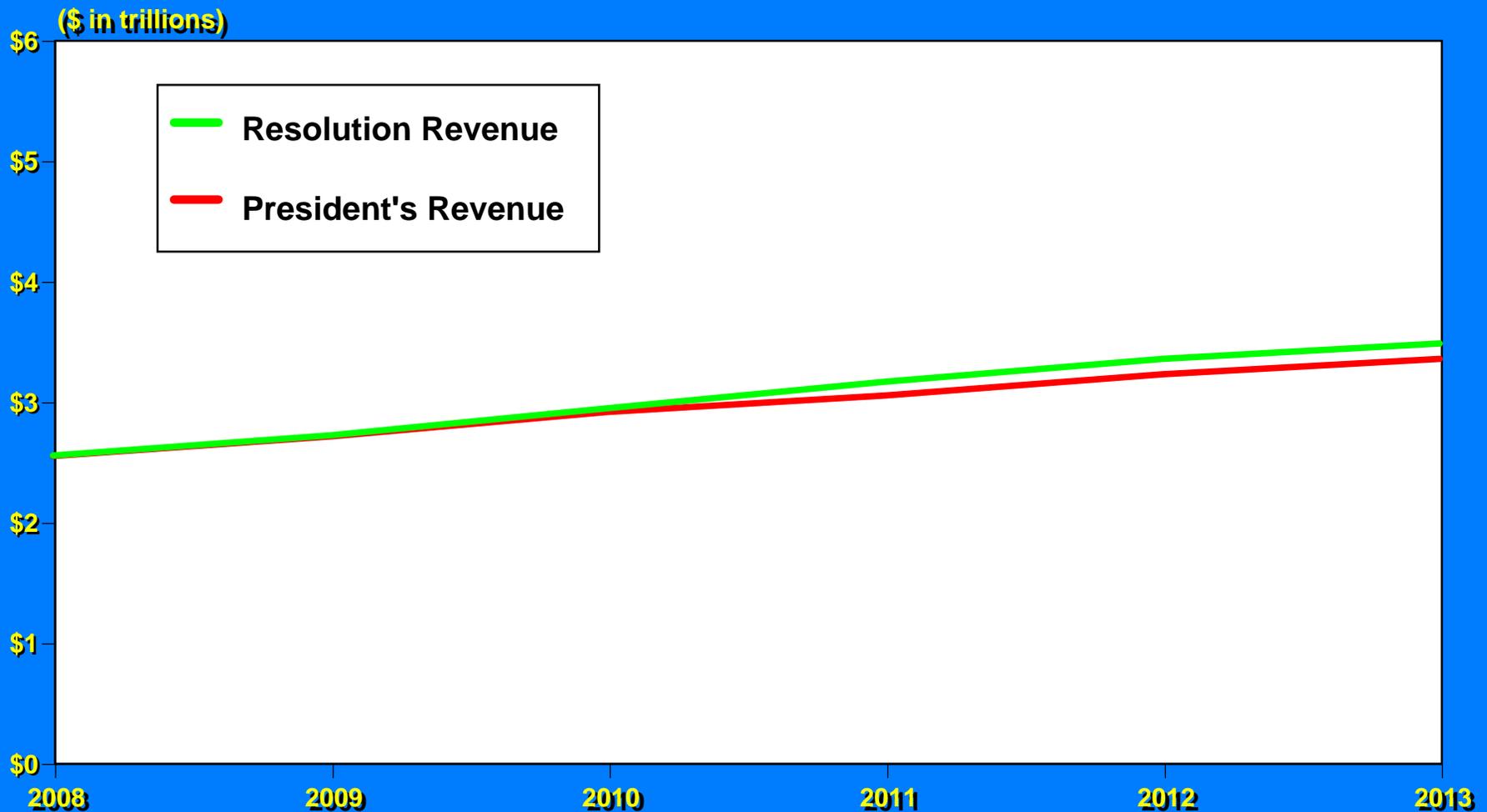
Democratic Record on Taxes Since Taking Control of Congress

(\$ in billions)



Source: CBO

Comparison of Revenues Under Resolution and President's Budget



Source: SBC, CBO

Note: Resolution revenue includes effect of Baucus amendment to extend middle-class tax cuts and reform estate tax.

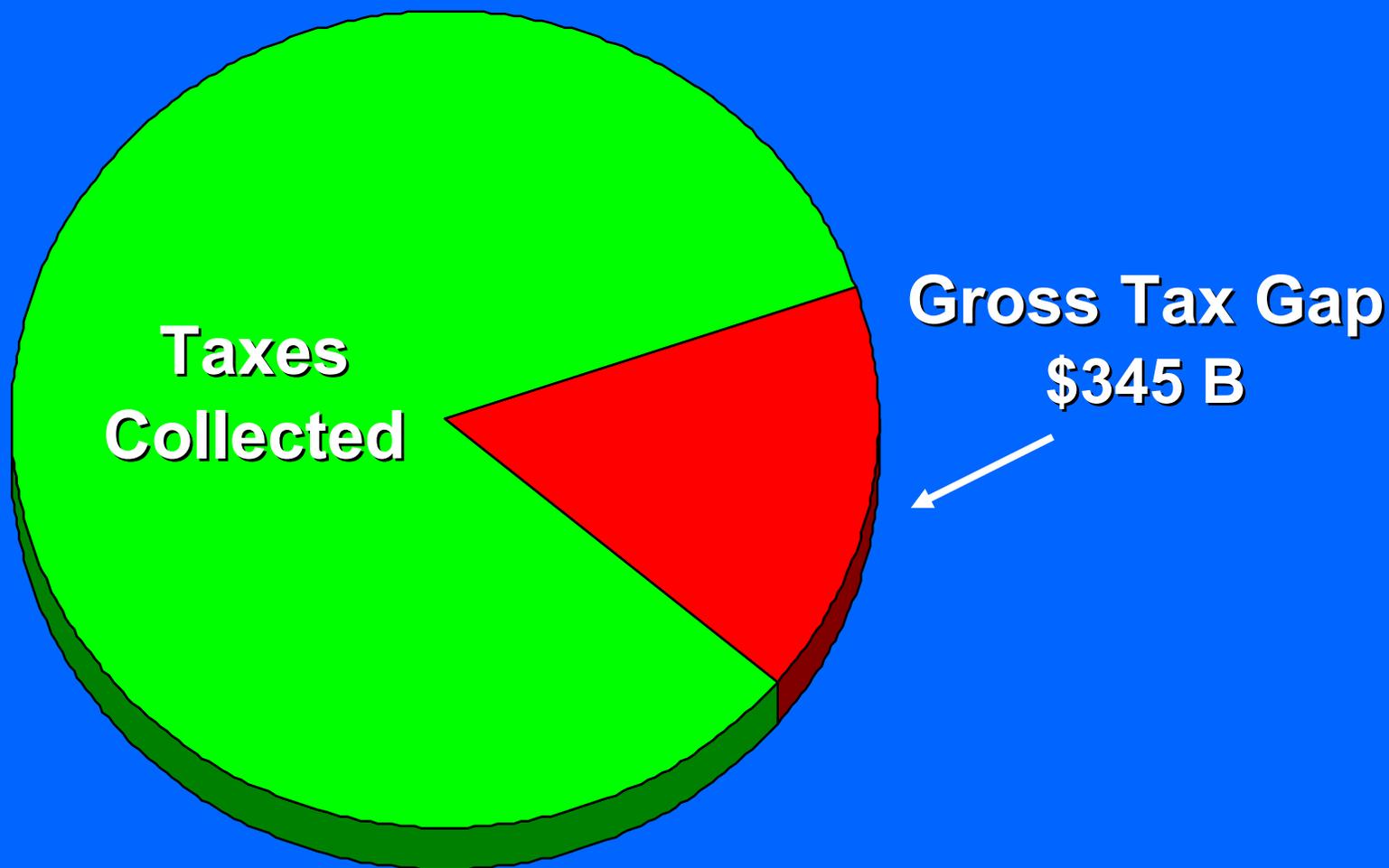
Budget Resolution Revenues Above Bush Budget Revenues By Only 2.6 Percent



Tax Relief in Budget Resolution

- **Extend middle-class tax relief**
 - marriage penalty relief
 - child tax credit
 - 10 percent bracket
- **AMT relief**
- **Estate tax reform**
- **Energy and education tax cuts**
- **Property tax relief**
- **Extenders**

IRS Estimates \$345 Billion Annual Tax Gap



Source: IRS estimate of 2001 tax gap, February, 2006

Five-Story Cayman Islands Building That 12,748 Companies Call Home



THE BOSTON GLOBE

THURSDAY, MARCH 6, 2008

Top Iraq contractor skirts US taxes offshore

Shell companies in Cayman Islands allow KBR to avoid Medicare, Social Security deductions

By Farah Stockman

GLOBE STAFF

CAYMAN ISLANDS — Kellogg Brown & Root, the nation's top Iraq war contractor and until last year a subsidiary of Halliburton Corp., has avoided paying hundreds of millions of dollars in federal Medicare and Social Security taxes by hiring workers through shell companies based in this tropical tax haven.

More than 21,000 people working for KBR in Iraq — including about 10,500

Americans — are listed as employees of two companies that exist in a computer file on the fourth floor of a building on a palm-studded boulevard here in the Caribbean. Neither company has an office or phone number in the Cayman Islands.

The Defense Department has known since at least 2004 that KBR was avoiding taxes by declaring its American workers as employees of Cayman Islands shell companies, and officials said the move allowed KBR to perform the work more cheaply,

saving Defense dollars.

But the use of the loophole results in a significantly greater loss of revenue to the government as a whole, particularly to the Social Security and Medicare trust funds. And the creation of shell companies in places such as the Cayman Islands to avoid taxes has long been attacked by members of Congress.

A Globe survey found that the practice is unusual enough that only one other ma-

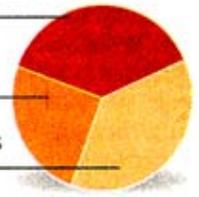
OFFSHORE, Page A20

According to US Central Command, there are 163,000 contractors working in Iraq. KBR says that it has 54,000 people working on its projects in Iraq. Of those:

Just over 21,000 are Cayman Island hires

13,288 are direct hires

The rest are subcontractors from other companies



SOURCE: KBR

GLOBE STAFF

Offshore Tax Haven Abuse Proliferating

“Experts have estimated that the total loss to the Treasury from offshore tax evasion alone approaches \$100 billion per year, including \$40 to \$70 billion from individuals and another \$30 billion from corporations engaging in offshore tax evasion. Abusive tax shelters add tens of billions of dollars more.”

**– Press Release
Senate Homeland Security and
Governmental Affairs Permanent
Subcommittee on Investigations
February 17, 2007**



Loophole Closers in Bills President Threatened to Veto

- **Codifying economic substance – prohibiting transactions with no economic rationale, done solely to evade taxes**
- **Shutting down schemes to lease foreign subway and sewer systems and depreciate assets (SILOs)**
- **Ending deferral of offshore compensation by hedge fund managers trying to evade current taxation**
- **Expanding broker information reporting**
- **Taxing people who expatriate to evade taxes**